



Lancaster City Council - Community Housing Fund Grant Policy

1. Introduction

Lancaster City Council has been allocated £707,630 funding from the Department of Communities and Local Government (DCLG) Community Housing Fund to support the development of community-led housing in Lancaster district. The DCLG funding has been allocated to those local authorities who are most affected by second homes ownership. The government expect that funding will continue in future years but at the time of drafting this policy, there are no details of how the funding will be allocated and at what rate.

The purpose of this policy is to set the criteria for the allocation of this year's funding. Please note that this is not an open grant fund which anyone can apply for. It will only be allocated for identified community-led schemes to ensure the successful delivery of those schemes.

Allocations from the fund must meet the following **basic principles** for a community-led housing scheme, which are derived from the Building and Social Housing Foundation (BSHF):-

- a requirement that the community must be integrally involved throughout the process in key decisions (what, where, for who). They don't necessarily have to initiate and manage the development process, or build the homes themselves, though some may do;
- a presumption in favour of community groups that are taking a long term formal role in ownership, management or stewardship of the homes; and
- a requirement that the benefits to the local area and/or specified community must be clearly defined and legally protected in perpetuity.

Lancaster City Council will not allocate funding to schemes which do not meet those basic principles.

2. Who will the fund be allocated to?

Funding will be allocated to support specific community-led housing schemes. Funding will be made available to the following types of organisations:-

Community Organisations: These will be community groups based in communities involved in the development of a community-led housing scheme. Community groups will need to be incorporated as a not-for-profit company or constituted to receive direct funding. The community group could be an existing charitable trust or development trust or similar body such as a Community Land Trust, Co-operative or a Co-housing scheme etc. Individual or group self-build can also be supported with each application for funding being determined on a case by case basis. Where a new community group is established to develop a scheme, then funding will be provided to help establish the group (see later section: "What can the fund be used for").

Registered Providers (formerly known as Housing Associations): Funding will be provided to Registered Providers who are involved in the development of an identified community-led scheme which meet the basic principles above. Funding for Registered Providers can be in the form of a grant in the same way as community groups. Funding from

the Community Housing Fund for Registered Providers can be made available in addition to funding from the Housing and Communities Agency (HCA) Shared Ownership and Affordable Homes Programme (SOAHP). Registered Providers can be involved in a community-led housing scheme in a number of ways. These can range from providing general advice, or providing project management for a community scheme, or developing on behalf of a community group through a development lease, or providing the on-going management of the housing. However, it is essential that whatever role a Registered Provider has in a community-led scheme that the community takes a long term role in the ownership, management or stewardship of the homes, for it to be a genuine community-led housing scheme.

Other development partners: In most cases, communities may work with Registered Providers as development partners. However, there may be situations where the community works with another development partner to deliver a community-led scheme. The Council may provide direct funding to alternative development partners in certain circumstances. An example of models used previously have included a Community Land Trust acquiring land and then leasing it to a Registered Provider or developer to build to the trust's requirements.

Direct recipients of funding through the scheme will be required to demonstrate they meet the following criteria:

- Be able to demonstrate strong governance arrangements by operating through open and accountable, co-operative processes, with strong performance and management systems
- Demonstrate it has the skills and capacity within the organisation, or available to the organisation
- Demonstrate clear, realistic financial plans for the management and development of the housing scheme where applicable
- Demonstrate community support for the proposals
- Be clear about how the organisation will comply with any relevant legislation and statutory requirements

In addition, community organisations will need to:

- Be a legal entity, or be part of a legally constituted consortia agreement
- Be appropriately constituted (examples might include; a registered charity, community interest company or charitable incorporated organisation, not for profit company or Industrial and Provident Societies for the Benefit of the Community)
- Have stated community benefit objectives
- Be non-profit distributing; any surpluses must be reinvested to further its social aims/community benefits

3. What can the fund be used for?

The fund can be used for the following broad categories:

Community Development Work: Funding will be used to support community engagement work with local communities to enable them to set up a community organisation and to develop the organisation. Specific community capacity working will include:

- Set up costs for the group including legal structures and governance
- Advising the group on community-led housing models and the most appropriate models and approaches for their community/development

- Any training requirements
- Identifying other funding opportunities
- Assistance with funding applications and other support
- Longer term group and business development
- Any other specialist support

Initial Feasibility Work: Funding will be allocated to undertake initial feasibility work to identify the potential to develop a community-led housing scheme. Initial feasibility work can include;

- Feasibility studies
- Identifying and assessing potential sites and opportunities, costs and values
- Local Housing Needs Surveys
- Developing the initial project proposal and pre-application advice where sites do not have an existing planning permission
- Advice on early project planning/management and business plan development

Project development costs: Costs will cover any work undertaken on a specific site prior up to and including start on site of a scheme. This will include:

- Project management – co-ordinating and managing the professionals, ensuring the business plan is current and deliverable reporting regularly to the community group.
- All professional costs: Design and Architectural costs, Quantity Surveyor, site surveys and investigations etc.
- Planning fees and any specialist planning advice.
- Legal costs.
- Procurement costs.
- Site Management costs.
- Site acquisition.
- Any abnormal costs: e.g .contamination, site clearance etc.
- Sales and marketing costs (depending on tenures).

Construction Costs: This will be for all the build costs associated with the construction including any off-site works that may be required for the development

Other costs: The Council will consider use of the fund for specific one-off costs for a particular site, without which the scheme could not be developed or be viable. This could include acquisition of particular sites, which could be “transferred” at a later date to a community-led housing group for development. The fund could also be used as gap funding to support viability of a particular scheme.

Tenure: Grants are not limited to schemes which exclusively provide affordable housing, but additional weighting will be given to schemes that generate a higher level of affordable housing than planning permission would normally require. For mixed tenure schemes, the grant agreement will contain an overage/clawback provision for any schemes that could potentially generate a surplus. The fund can also be used to support self-build/custom build schemes which will be assessed on a case by case basis depending on the scheme and level of funding required.

What the fund will not support: The fund cannot be for schemes that are not deemed to meet the basic principles set out in this policy, to any organisation that does not meet the criteria listed in the policy. The fund will not normally be used for any development that has already commenced or to fund retrospective costs, although the council may investigate the implementation of a policy that would allow community groups to purchase affordable units from developers through S106 planning obligations. This option would require a very

detailed analysis and understanding of the costs for all parties which would need to be undertaken as part of the council's Affordable Housing Viability Study.

4. Level of Funding allocated

There is a three stage process for grant funding set out below. Not all stages will be applicable as some community organisations may already be established and not require community development funding and in some cases may have already undertaken feasibility work in respect of a potential scheme, so may not require feasibility funding. Multiple applications can be made from the same community group, although if the fund is over-subscribed, the council will need to assess the merits of all applications being received, in order to ensure there is maximum coverage/outcomes across the district.

Stage 1: Community Development/Set-up Fund: Funding can be applied for to support the development of a specific community group and to ensure they fulfil the council's requirements and are a legal entity. Stage 1 costs are not expected to exceed £5K.

Constituted groups can seek grant funding to support more than project but it is not expected that the fund would provide set-up costs more than once without any justification for this.

Stage 2: Feasibility Fund: Funding can be applied for to support initial feasibility work for a potential community-led housing scheme. If the group is already constituted then the funding will either be paid directly to the community organisation or to the provider of the services. If the group is not yet constituted then the funding will be held by the Council and spent on feasibility costs until such time that the organisation is constituted. Stage 2 costs are not expected to exceed £15K.

Stage 3: Development Fund: Grant funding for capital costs to cover project management costs and construction costs will be made to up to 50% of the total development cost of the scheme. Subject to the amount of funding, capital funding will only be specifically granted to Registered Providers or other development partners and community organisations whose financial and organisational capacity meets the Council's procurement requirements. Funding from the Community Housing Fund can also be matched with funding from the Homes and Communities Agency (HCA). This can be done in one of 2 ways:

1. Community Housing Funding can be used in addition to HCA funding to top up the public subsidy to a maximum of 50% of the total development cost.
2. Community Housing Funding can be used to fund a specific one-off cost, such as site acquisition (including negotiating an option on a site), site clearance, any abnormal cost etc. or be used as gap funding to support viability. Specific one-off costs will be considered on a case by case basis depending on the specific issue. The amount and proportion of funding to support a specific one-off cost will depend on the actual issue.

In order to ensure the fund can support a number of projects, the development funding will only be provided up to a **maximum** of 50% of the total development cost for any scheme subject the funds being available and where a number of bids are received, the grant may be considerably lower than this. Communities will be required to find the remaining funding from other sources. This could be through a number of possible routes as follows:

- Through a loan, which is repayable over a fixed period through the rents. This is the traditional route undertaken by Registered Providers, usually combined with HCA grant. This would be a lower risk option for communities where they would utilise a Registered Provider as a full development partner.

- Through other sources of grant funding. Communities have access to a wider range of grant funding sources, which would not be available to Registered Providers or other public sector bodies, such as funding from the Community Land Trust Network. Support and advice will be provided to communities both through the Council and specialist advisors on alternative sources of funding for community organisations.

5. Grant application process

Funding will initially be made available to communities or organisations where they have expressed an interest in developing a community-led housing scheme. Work will be undertaken over the forthcoming months to identify further communities who are interested in developing a community-led housing scheme.

Assessment of applications to the Community Development Set-up fund will be undertaken by the Council's Housing Strategy Officer and Community Housing Fund Development Officer.

Assessment of applications to the Feasibility Fund will be undertaken by the Council's Housing Strategy and Community Housing Fund Development Officer.

The outcome of the feasibility work will determine whether the scheme will progress to the development stage. Determination of development funding for schemes will be subject to a more detailed appraisal process, which will comprise of the following:

- Where a scheme is likely to obtain planning permission and to fund pre-application advice
- Deliverability
- Value for money
- Eligibility, in terms of meeting the basic principles outlined in Section 1 and the wider criteria outlined in Section 3.
- Allocations Policy
- How the scheme will be managed and maintained
- Robustness of the business model and financial viability
- Other sources of funding and finance
- Additional weighing may also be given to proposals identified through a Neighbourhood Plan, or in a rural parish deemed to be a sustainable settlement where second homes ownership is often more prevalent or where added value is being provided i.e. where specialist housing is being delivered to meet the needs of a prescribed group.

Applicants will be required to complete and submit a development appraisal form, and may also be required to submit supporting information. The appraisal can be completed by the community organisation, development partner, registered provider or consultant acting on behalf of the community.

Initial assessment of the appraisal will be undertaken by the Council's Housing Strategy Officer and Community Housing Fund Development Officer. Recommendations will then be made to the Cabinet Member for Health and Housing (through the approved scheme of delegation) or to Cabinet.

6. Payment of Grant

Stage 1: Community development set-up costs: Where possible, grant payments may be paid on receipt of grant claim form on receipt of quotations/invoices for work either being commissioned or completed with prior agreement that the council will fund these costs. It is recognised that some community groups may not yet be fully constituted or have very limited cash resources. As a result then the funding will be held by the Council and spent on set-up costs until such time that the organisation is constituted and/or has appropriate cash reserves. The exact arrangements for payment of grant will be determined on a case by case basis depending on the funding in place and the level of grant funding being awarded and will be detailed in the grant agreement.

Stage 2: Feasibility costs: Grant payments will normally be paid on receipt of grant claim form along with quotations/invoices for work being commissioned or completed with prior agreement that the council will fund these costs. However, it is recognised that some community groups may not yet be fully constituted or have very limited cash resources. As a result then the funding will be held by the Council and spent on set-up costs until such time that the organisation is constituted and/or has appropriate cash reserves.

Stage 3: Development costs: Payments from the Community Housing Fund will normally be made on a staged basis as follows:

50% to be paid on start on site of the scheme

50% to be paid on scheme completion or through staged payments as deemed appropriate.

We will consider alternative/staged payments in cases where there may be cash flow issues and in order to allow groups to secure alternative development funding. However, it is expected that applicants will have sufficient development finance in place to ensure that they are able to manage their cash flow throughout the duration of the project.

Where the grant funding is being used to support a one-off specific cost such as site acquisition, site clearance or providing gap funding, then payment will normally be made to the applicant once that cost has been met by the applicant and upon receipt of evidence of payment of the cost by the applicant or direct to the service provider as appropriate and agreed with the council.

Cost overruns: Funding of cost overruns will only be considered in exceptional circumstances where costs are deemed unavoidable and unforeseeable. We will fund cost overruns only as a last resort and expect all other sources of potential funding to be exhausted.

There can be no guarantee that we will fund cost overruns and if we do, it will only be as a contribution so that it does not exceed 50% of the total scheme costs.

7. Grant Agreement

Grant recipients will be required to enter into a standard grant agreement with Lancaster City Council, which will stipulate a number of requirements including:

Monitoring Arrangements: Lancaster City Council will require grant recipients to provide regular monitoring information as per the grant agreement.

Use of Grant and details of works required: The grant agreement will set out what the grant can be used for and details of the works required.

Withholding, suspending and repayment of grant: The grant agreement will also set out the circumstances in which grant may be withheld, suspended or repaid., and use of grant for purposes other for which the grant has been awarded etc.

Overage/Clawback: The grant agreement will contain details of what overage/clawback will apply.

Procurement of services: The grant agreement will set out the arrangements and financial thresholds that will apply around procurement of services, recognising that there may need to be some relaxation of existing requirements due to the specialist nature of some of the services required, and these must be discussed and agreed with the council where there is a departure from the council's policy.

8. Review of the Community Housing Fund Grant Policy

This policy will be subject to review as required or in order to satisfy any new guidance issued by either the Department of Communities and Local Government, the Homes and Communities Agency or any other government body administering the grant funding.